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Special Counsel for Trustee

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF IDAHO

In Re:) Chapter 7
) Case No. 99-01868
Francisco Maciel Castellanos, Jr.)
aka Frank M. Castellanos Jr.) MOTION UNDER RULE 9019
) TO COMPROMISE CONTROVERSY
Debtor.) WITH STATE FARM INSURANCE

Comes now the Trustee, Lois Murphy, through her special counsel and hereby moves this Court under Rule 9019 to compromise the controversy existing between the Debtor, the estate and State Farm Insurance Company.

This action arises out of a cause of action instituted by Debtor among other Plaintiffs in the District court of the Fourth Judicial District in and for the State of Idaho, County of Ada, Case No. 97-601. Mr. Castellanos, among other Plaintiffs, filed suit against State Farm alleging that State Farm's actions in denying coverage damaged him.

1. Litigation was instituted in Ada County in 1994 by the Debtor, among other Plaintiffs. That litigation was pending when the Debtor filed bankruptcy on July 21, 1999. The bankruptcy did not effect the litigation concerning other Plaintiffs.

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2. The Debtor has scheduled in his bankruptcy schedules the total sum of \$6,505.68 of unsecured claims. There are no claims on file, as so far the case has been a no asset case.

3. State Farm has authorized to settle with the Debtor among the other Plaintiffs in a global settlement of the State Court litigation. The settlement includes resolution of all claims against State Farm by all parties. The Debtor's claim is less than ten percent of the total settlement.

4. State Farm has specifically required that the settlement remain confidential. The Trustee and the Debtor, among the other Plaintiffs, have agreed to accept this settlement with State Farm.

5. The amount of the settlement to be paid to the Debtor, less the attorney fees and costs is an amount sufficient to pay all claims which were scheduled by the Debtor in the bankruptcy schedules(\$6,800.00) as well as to pay the Trustee's fees described in 11 U.S.C. §326 and other known administrative expenses of the estate. Therefore creditors, based on the information available in the schedules, should received 100¢ on the dollar for their scheduled claims. This statement, however, is subject to the actual claims to be filed by creditors.

6. The proposed settlement agreement will be delivered to the Bankruptcy Court for its review so that it can determine whether the terms of the settlement are reasonable. The Trustee, State Farm and the Debtor are requesting that the settlement be delivered under seal so that its terms are not disclosed to honor the confidentiality condition of the settlement agreement.

7. The estate alleges that settlement, as opposed to litigation is reasonable and in the best interest of the estate for the following grounds and reasons:

- a. As in all litigation, there are contingencies which may cause the relief expected by the Plaintiff to be substantially less than projected and recovery could possibly be denied.
- b. The Settlement with this Debtor is only a small fraction (less than ten percent) of the total settlement. Plaintiff is only one of over five Plaintiffs involved in the litigation. Settlement with the Debtor must occur along with the other Plaintiffs.
- c. This settlement is a settlement prior to trial, and if the case were litigated, even successfully, it would likely be appealed. Appeal would cost additional expenses and would last over an additional two years.
- d. The settlement proposed pays creditors of the Debtor, the Estate, the Estate's professionals in full based on information currently available to the Trustee. It also provides a dividend to the Debtor.
- e. Costs of litigation will cease which would have to be paid as part of the litigation.
- f. The Debtor's claims in the state court litigation for special damages did not exceed \$3,000.00. The balance of the claims were for other damages which could be considered speculative.

Wherefore, the Trustee moves for the approval of this compromise among the Estate, the Debtor and State Farm Insurance

RIGHT TO OBJECT

You have the right to object to this proceeding by filing a written objection prior to the hearing scheduled in this matter. The objection should be served on special counsel for the Trustee as well as filed with the Court.

DATED this 22ND day of November, 1999.

COSHO, HUMPHREY, GREENER
& WELSH, P.A.



Joseph M. Meier